



## Fact Sheet

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Foreign Agricultural Service  
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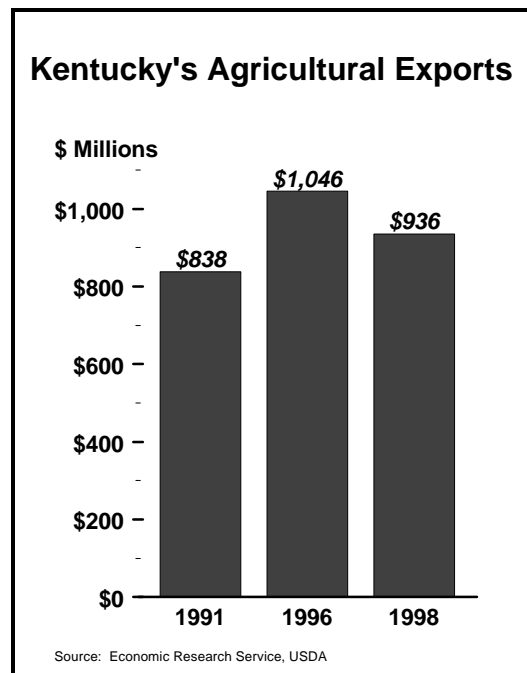
### *Permanent Normal Trade Relations with China* **What's at Stake for Kentucky?**

Kentucky is an important producer and exporter of agricultural products. In 1998, the state's cash farm receipts totaled \$3.9 billion. As for exports, Kentucky ranked 19th among all 50 states, with the value of agricultural products leaving the state estimated at \$936 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

#### **Trade Benefits**

The following key products are important to Kentucky, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- # **Tobacco**—Kentucky is the nation's second largest tobacco growing state. Its unmanufactured tobacco exports worldwide were estimated at \$344 million in 1998. China accounts for one-third of the world's tobacco production. Its accession to the WTO would allow for freer tobacco trade, providing opportunities for U.S. tobacco exporters. China has committed to cut import tariffs on cigarettes from 65 percent to 25 percent and cut leaf tobacco tariffs from 40 percent to 10 percent. If China accedes to the WTO, it would be subject to specific WTO rules prohibiting unjustified phytosanitary measures and disputes could be addressed under the WTO dispute settlement process.
- # **Beef**—With a large portion of its farm receipts coming from the cattle industry, Kentucky's live animal and red meat exports worldwide were estimated at \$204 million in 1998. China currently imports very little beef, but income growth and rising demand from urban centers are expected to result in significantly increased demand for imports. Under its WTO accession agreement, China will lower its tariff from 45 percent to 12 percent on frozen beef and from 45 percent to 25 percent on chilled beef by 2004. Tariffs on variety meats will be lowered from 20 percent to 12 percent. There will be no quantity limits at these tariff levels. As a result of the 1999 U.S.-China bilateral agreement, China agreed to accept all beef from the United States that is accompanied by a USDA certificate of wholesomeness.
- # **Soybeans and Products**—Soybeans are an important crop in Kentucky, and its soybeans and product exports were estimated at \$141 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession



agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.